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2 June 1977

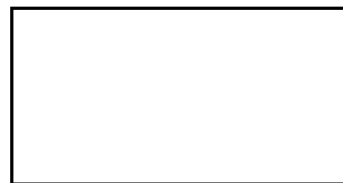
MEMORANDUM FOR: DDCI

Hank -

Attachment A was prepared for DCI's information on COS use of representational and operational funds. On the last page there is a note to you raising a question about apparent looseness of control and asking for specifics. The Comptroller's memorandum on top is responsive. George and I have both reviewed it.

It was delayed because we asked the Comptroller to eliminate an attachment which in our judgment was misleading and probably would have only raised more questions.

I had some qualms about sending forward Attachment B with all the detail on the individual operational and representational expenses at every Station and Base for Fiscal Year '76 and the transitional quarter. The covering routing sheet on each of the two documents for these two periods does however reflect review and action by the ADDO as described in paragraph 6 of the covering memo. There is the risk, however, that we might be inundated with requests to justify levels of expenditures at specific Bases and Stations. If you decide Attachment B shouldn't go forward, we will have page two retyped to eliminate reference to Attachment B. For what it's worth, George votes yes, send it forward; I vote no, don't.



A/DDCI

Attachments:
As stated

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COMPT 77-0846

Executive Registry

77-440.3/1

25 MAY 1977

MEMORANDUM FOR: Director of Central Intelligence

FROM : James H. Taylor
Comptroller

SUBJECT : Controls on Use of Representational and Operational Funds

X1 1. Action Requested: This memorandum responds to your request to get into the specifics of controls over the use of representational and operational funds following your review of a paper (Attachment A) on this subject [redacted]

2. Background: The controls over Agency funds are designed to provide stringent checks and balances strong enough to avoid illegal or improper use of funds. The controls built into our budget and financial systems are designed to protect the taxpayer's money as well as the special authorities granted to you in the CIA Act of 1949 "that sums made available ...may be expended without regard...to law..., such expenditures to be accounted for solely on the certification of the Director...". It is a rare legal or administrative system, however, which guarantees absolutely that those who are intent upon cheating cannot, or will not, cheat.

X1 3. The present case can be viewed as an example of how the system works. The review at Headquarters of operational entertainment and representation expenditures revealed a higher than normal level of expenditures [redacted] That fact was called to the attention of the Chief of Station and restraints were placed on his expenditures. The X1 entertainment guest list [redacted] which you reviewed was a summary, not a complete accounting. Regulations require that the guest lists at the Station cite the who, what, when, where, and why of the entertainment. X1 We understand that the Audit Staff has recently completed an audit [redacted] and adequacy of documentation was a part of that review. 25X The results of the audit are not yet available to us, so judgments about the adequacy of the documentation must be deferred. We believe it is important to note that the existing control system surfaced the problem, caused a justification of the claims to be requested, and led to the establishment of a limitation on future claims. Indeed, it is likely that 25X it was the cables relating to corrective action that attracted [redacted] attention to the use of funds for entertainment. 25X

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